



# Southeastern Arizona Contractors Association



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A Chapter of  
**SAHBA**  
the community builder  
Southern Arizona Home Builders Association

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AZ CORP COMMISSION  
DOCKET CONTROL

August 6, 2009

The Honorable Kristin K. Mayes, Chairman  
Arizona Corporation Commission  
Commissioners Wing  
1200 West Washington  
Phoenix, AZ 85007-2996

Arizona Corporation Commission  
DOCKETED  
AUG 11 2009

DOCKETED BY  
MM

RE: Elimination of the Electric Power Line Free Footage Allowance Extension Policy  
Arizona Public Service Company, Docket No. E-01345A-08-0172

Dear Chairperson Mayes,

The Southeastern Arizona Contractors Association (SACA) located in Cochise County, Arizona, has been monitoring the discussions regarding the ACC review of certain issues which will have a significant impact on home building here in Cochise County and the Santa Cruz region.

One major issue is the elimination of the free extension of 1,000 feet of power lines from an existing power line source and the proposed high costs that they will subsequently require. This policy change, if allowed to remain, will adversely impact many residents here in Cochise County and Santa Cruz County, which maintain a large rural and semi-rural environment. Continuation of the elimination of the free extension of power lines will contribute to our local as well as Arizona's already struggling real estate market.

The elimination of the free power line extension is especially harmful in rural areas such as ours. Many homes are constructed on larger parcels (1-5 acre and up) that in many cases would require a single service line extension to the parcel. By eliminating the free power line extension, and thus making it more expensive to build, it will discourage building these homes due to cost constraints. It should also be noted that an unintended consequence of the loss of free power extension is that landowners may suffer a reduction in the market value of their real property. By not having reasonable access to a utility power source, interest in building and/or purchasing the parcel would diminish.

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**Unlike developers and builders who build master-planned communities and spread costs over multiple lot scenarios, individual landowners and/or smaller contractors do not have this ability. Consequently the bottom line is that costs are passed on, thus higher housing prices. In the power line extension issue alone, we have reviewed cost estimates from major builders "spreading" costs over multiple phases at \$5-8,000 per lot to individual owner builders having \$20-25,000 additional cost added to their budgets.**

**Some items that SACA recommends consideration by the ACC are as follows:**

- **In more rural areas homes are disbursed on larger parcels, which do not follow the "subdivision" lot and block configuration of urban areas. Generally subdivisions do not require longer power line extensions due to their "phasing" continuation process. Individual homes and/or smaller housing projects (i.e., 3-5 homes) may be located away from existing power sources, thus needing the extension.**
- **Many of the property owners in rural areas do not have the capital resources to fund the additional costs of extending power lines as a larger builder might.**
- **The local construction industry is an area hit very hard by the current recessionary market. Many contractors and builders are struggling to maintain their business. Adding additional costs to owners and/or contractors in a serious down market will only cause further havoc and loss of business growth.**
- **Eliminating the Free Footage Allowance by electrical power companies will add costs to building a home. An already difficult market for homebuyers will now be faced with higher priced homes especially those at the "affordable level".**
- **Existing residential rate payers need to be considered, but not at the burden it will place on new home building and subsequent homeowners. We need to consider a balance between existing power rates and the expense placed on providing new homes for first time buyers, move-up buyers, and new home buyers in the community.**
- **We request that the ACC reconsider its APS line extension policy to allow for the continuation of the free footage allowance from existing lines. Combining this with fair and reasonable assessment of power rates applied should lead to lower maintained residential rates along with the communities need to provide new homes for its residents. Common sense, logic and fair value should apply.**

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**Another area that SACA would like to present to the ACC for consideration and review results from the position (2008 Tariff) that contractors and builders are now required to provide nonrefundable cash payments due in full upon execution of subdivision contracts and/or build to suit contracts. SACA would request that the ACC consider the following:**

- **By requiring a full nonrefundable cash deposit initially before work begins, you are guaranteeing an increase in the price of the home(s). This is not a cost that a contractor and/or builder can absorb. The 2008 Tariff eliminated any line extension refunds which mean the cost passes through to the homebuyer.**
- **By requiring the frontloading of these funds, many, if not most, builders will add the funds to their construction financing, thus when booked and funded by the lender, the interest charges will begin accumulating. As a result the additional interest cost will also be added to the home price.**
- **The construction building industry has a long history of building homes and providing the infrastructure necessary (i.e., power, water, roads, etc.) to which homebuyers take for granted. As part of this procedure builders were able to provide in lieu of upfront cash payments a bond or construction lender set-aside letter of credit to guarantee completion of the infrastructure. For implementing power grids, this cost can be great. The 2008 Tariff eliminated the use of bonds and/or letters of credit. SACA recommends that the ACC reconsider this position and allow for bonds and/or letters of credit as before, and seek to eliminate the bureaucratic fumbling at city and/or county levels when and if calling in the bonds and/or letters of credit may be necessary. There is more blame and levels of excuses at local governmental entities that is being disclosed to the public. Builders should not be penalized for an inept governmental process, and thus have to raise the price of a new home as a result.**

**In conclusion, SACA believes that the financial impact on homeowners and the building industry to be huge, and consequently all residents and business owners affected by the increases in building costs are your constituents as ratepayers.**

**The Southeastern Arizona Contractors Association appreciates the opportunity to provide to the Arizona Corporation Commission our comments regarding issues revolving around the power line extension policy and the funding of infrastructure requirements for new homes. Cochise County and Santa Cruz County are more rural than several counties in Arizona, however we anticipate growth over the coming years. The new residents, as well as our existing residents, would like to anticipate housing that will be affordable to all residents, and that the ability to have utility support will be viable and available to the entire county at affordable rates.**

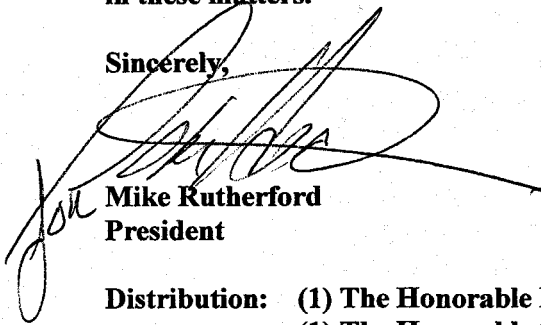
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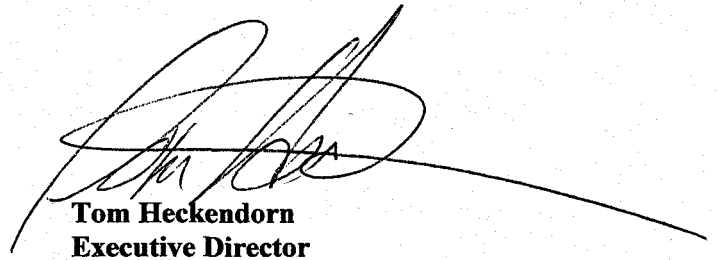
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**Your consideration is appreciated and we look forward to your fair and reasonable actions in these matters.**

**Sincerely,**



**Mike Rutherford**  
**President**



**Tom Heckendorn**  
**Executive Director**

**Distribution:** (1) **The Honorable Robert Stump, Commissioner**  
(1) **The Honorable Sandra Kennedy, Commissioner**  
(1) **The Honorable Gary Pierce, Commissioner**  
(1) **The Honorable Paul Newman, Commissioner**